

February 4, 2003

California Power Authority
901 P Street, Suite 142A
Sacramento, CA 95814

Dear California Power Authority:

Re: Southern California Edison's Comments on the
California Power Authority's 2003 Draft Energy Resource Investment Plan

The following represents the major concerns and observations of Southern California Edison ("SCE") regarding the CPA's draft Energy Resource Investment Plan ("ERIP"). As we did last year, we believe an overview of the statutory provisions establishing the requirements and purposes of the CPA's ERIP are in order.

In summary, the CPA's enabling legislation provides a clear and concise mandate to finance or otherwise provide financial assistance for **cost effective** energy resource investments¹ which are needed to **supplement** public and private power supplies² and which provide electricity to consumers **at cost**³. SCE believes the Plan needs to adhere to the principles outlined in statute. Namely, only after there is a determined need for required resources that is not being planned for or met by California's utilities, as determined in collaboration with the other regulatory bodies, should the CPA consider new additions. Then, only the most-efficient, proven (not emerging), and cost-effective resources available should be pursued in a manner that avoids present and future cross-subsidies or allowing costs to be shifted from one customer (or utility/district) to another.

¹ PUC Code 3369.c

² PUC Code 3310.a

³ PUC Code 3351.a

Major Comments and Observations:

The CPA Should Coordinate Their Consideration of Any New Demand or Supply-side Resources With SCE's and other Utilities' On-going Procurement Efforts Before the CPUC

On January 1st, SCE and the other utilities fulfilled the strong intent and desire of the Administration, the Legislature and the Commission by resuming the procurement of power for their bundled service customers. That significant effort not only involved the procurement of additional renewable and dispatchable supply resources for the next one to fifteen years, but also the need for each utility to submit a long-term integrated resource plan this April.

Even though significant uncertainties continue to exist, this and other monumental accomplishments have and are being made in returning California's electricity management back to the utilities. In that light, SCE believes that the CPA should not actively pursue acquiring additional resources, unless formally requested to do so by the regulatory agency overseeing the involved utility(ies). Rather, the CPA should coordinate any of its resource procurement activities with the Commission, and in no case, should the actions of the Authority create or allow situations where existing and future customers would have costs shifted to other customers.

Finally, SCE believes that to the extent power projects or programs needed to support California's electric infrastructure are not being pursued by third parties, that it should be the responsible regulated utility and not the CPA, who has the option to pursue the undeveloped projects or programs under a durable, secure and commercially realistic CPUC-approved, cost recovery framework.

The CPA Should Limit Their Support of Distributed Generation to Projects That Are Cost-effective and/or Do Not Create Cross-Subsidies Between or With Customer Classes

SCE has and continues to support the development and integration of cost-effective distributive generation. However, we are not in favor of building on policies which shift or strand costs that have to be recovered from other customers. Cost-shifting is not economic development.

Furthermore, positive resolution of potential adverse operational concerns from the widespread integration of similar and dissimilar DG systems on local system reliability, needs to be made. SCE believes that only after such resolution, should the Authority consider the procurement of these systems.

The ERIP Needs To Be Coordinated With Other Agencies and Other Existing State Programs

In addition to the CPUC's Power Procurement proceedings mentioned earlier, the ERIP should indicate how its efforts attempt to take advantage of and augment other existing programs overseen by the CPUC and CEC, along with other statutory methods to improve the efficiency of state government facilities.


Additional Study and Experience Are Needed Before Pursuing the Widespread Penetration of Advanced Metering Systems

Although the use of advanced metering approaches holds real promise, there continues to be uncertainty over both the extent of the public acceptance and operational value of a widespread penetration of real-time energy metering ("RTEM") and hourly pricing, particularly when compared to the use of Time-of-Use meters for smaller customers. The Legislature recognized this in PUC Code 393 requiring pilot studies for small customers to determine the relative value of the benefits derived from real-time and time-of-use metering.

To fulfill this need, SCE and the other IOUs have proposed a Statewide Pilot Proposal as part of the CPUC's Rulemaking on RTEM. The focus of the pilot is to assess customer acceptance, program performance and cost-effectiveness prior to widespread application.

We appreciate the opportunity to comment on the draft of your 2003 Energy Resource Investment Plan and look forward to future discussions with the Authority. Furthermore, I would like to extend our thanks for accepting our comments, although they are a day late.

Sincerely,


Gary L. Schoonyan

cc: S. David Freeman
Philip Angelides
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